

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1516 - SB 1746

March 2, 2014

SUMMARY OF BILL: Establishes a diesel gallon equivalent factor of 6.06 lbs. per gallon for purposes of determining the tax on liquefied gas. Deletes the requirement that a user of liquefied gas for the propulsion of a motor vehicle on the public highways in Tennessee must pay in advance annually on each motor vehicle licensed in Tennessee a tax based on the classification of the vehicle according to a schedule set out in current law.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Section 1 of the bill establishes a diesel gallon equivalent factor of 6.06 lbs. per gallon for purposes of determining the tax on liquefied gas. Liquefied gas used for the propulsion of motor vehicles on the public highways of this state is currently taxed at \$0.14 per gallon.
- The three-year average annual tax collection for this tax is estimated to be \$57,491. It is assumed that a majority of such collections is from the tax imposed on liquefied petroleum gas (LPG). One gallon of LPG is estimated to weigh approximately 4.22 lbs.
- The current average of gallons used on which the \$0.14 tax is imposed, after deducting the mileage allowances as provided under Tenn. Code Ann. § 67-3-1110(c), is estimated to be 410,650 ($\$57,491 / \0.14), which would be equivalent to 1,732,943 lbs. of liquefied gas upon which the tax is imposed ($410,650 \times 4.22$).
- Establishing a diesel gallon equivalent of 6.06 lbs. is estimated to effectively reduce the number of gallons on which the \$0.14 tax is imposed to 285,964 ($1,732,943 / 6.06$), resulting in a recurring decrease in revenue of approximately \$17,456 [$(410,650 - 285,964) \times \0.14].
- Section 2 of this bill deletes the requirement under Tenn. Code Ann. § 67-3-1106 that a user of liquefied gas for the propulsion of a motor vehicle on the public highways in Tennessee must pay in advance annually on each motor vehicle licensed in Tennessee a tax based on the classification of the vehicle according to a schedule set out in current law.
- Tenn. Code Ann. § 67-3-1106 also currently contains definitions of classes of vehicles, which are being deleted by this bill. However, Tenn. Code Ann. § 67-3-1110(c) is not amended by the bill, and it currently provides for mileage allowances for vehicles based

HB 1516 - SB 1746

on their applicable class as defined in Tenn. Code Ann § 67-3-1106. As a result, there is some ambiguity as to whether this bill eliminates the vehicle class definitions and the allowances established under current law.

- For the purposes of this fiscal note, it is assumed that deleting the definitions of classes of vehicles under Tenn. Code Ann. § 67-3-1106 is sufficient for making the allowances codified in Tenn. Code Ann. § 67-3-1110(c) obsolete.
- As a result of removing such allowances, there will be an increase in revenue from the tax that will now be imposed on a higher number of liquefied gas gallons used.
- Any such increase in revenue is estimated to offset the estimated decrease in revenue occurring as a result of establishing a diesel gallon equivalent factor in Section 1 of the bill. The net impact of this bill on state and local revenue is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/bos